

Labor and Public Employees Committee

Public Testimony of the CT Women's Education and Legal Fund (CWEALF)

H.B. 6594: An Act Concerning Non-Compete Agreements

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The Connecticut Women's Education and Legal Fund (CWEALF) is a statewide nonprofit that uses a justice and equity lens to advocate for under-resourced, marginalized women and girls. For nearly fifty years, CWEALF has been a leading advocate for policies that advance the economic security of women across our state and promote gender equity.

CWEALF urges the committee to support H.B. 6594: *An Act Concerning Non-Compete Agreements* which will protect workers by specifying certain conditions for covenants not to compete.

Noncompete agreements often reduce a workers' ability to leave a job, or even threaten to leave a job, since they are unable to advertise their skills to their employer's competition without threat of litigation. If an individual seeks a new job, they may be forced to work in a different field where their skills are less applicable and the pay may be lower.¹

Noncompete agreements disproportionately affect low-wage workers, the majority of whom are women and people of color. If an employer is not providing a sufficient number of hours or shifts, workers may seek additional employment at a company in the same industry. If a worker is forced to sign a noncompete agreement, they may be unable to earn the wages necessary to meet their or their family's basic needs.

Connecticut should prioritize retaining skilled-workers in the state by passing H.B. 6594 and barring the use of noncompete agreements. In one study, workers in states where non compete agreements were enforced were more likely to move across state lines to comply with geographic restrictions of their contract. Additional research in Hawaii found that after the state banned noncompete agreements for tech workers, job mobility increased by 11 percent and new hire wages grew by 4 percent. Implementing the same ban by passing of H.B. 6594 would improve the economy of Connecticut.²

While noncompete agreements may support the interests of one individual company, by limiting workers' ability to switch jobs, they may harm the larger economy. High levels of

¹ Office of Economic Policy, *Non-compete Contracts: Economic Effects and Policy Implications* (U.S. Department of the Treasury, 2016), available at <https://www.treasury.gov/resource-center/economic-policy/Documents/UST%20Non-competes%20Report.pdf>.

² Natarajan Balasubramanian and others, "Locked In? The Enforceability of Covenants Not to Compete and the Careers of High-Tech Workers." Center for Economic Studies Paper 17-09 (U.S. Census Bureau, 2017), available at <https://www2.census.gov/ces/wp/2017/CES-WP-17-09.pdf>.

job mobility—the movement of workers between jobs—can help to stimulate the larger economy. Job mobility fosters innovation through information-sharing; entrepreneurship as workers leave jobs to start new companies; and even regional industry development, since firms can co-locate to share local talent pools.³

Additionally, as of July 2021, President Biden issued an executive order to promote competition in the American economy. In section 5(g) of the Executive Order it asks the federal Trade Commission(FTC) to “curtail the unfair uses of non-compete clauses and other clauses or agreements that may unfairly limit worker mobility.”⁴

Furthermore, too many Connecticut workers are stuck in jobs they do not want with wages that are too low. Research shows that noncompete agreements are contributing to these negative trends in the American economy by reducing workers’ wages and restricting job mobility.⁵

Workers deserve the right to support their family and contribute to the economy by seeking employment in the industry where they are skilled. CWEALF urges the committee and lawmakers to pass H.B. 6594 this session.

³ Marx, “The Firm Strikes Back.”

⁴ Spiggle, T. (2021, December 10). *President Biden’s recent Executive Order takes aim at non-competes*. Forbes.

<https://www.forbes.com/sites/tomspiggle/2021/07/16/president-bidens-recent-executive-order-takes-aim-at-non-competes/?sh=2f3b55bb2cc4>

⁵ The Center for American Progress (2019). *The Freedom to Leave*.

<https://www.americanprogress.org/issues/economy/reports/2019/01/09/464831/the-freedom-to-leave/>